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GUANGZHOU LIGHT INDUSTRY & TRADE GROUP LTD & ORS v. LINTAS SUPERSTORE SDN BHD

FEDERAL COURT, PUTRAJAYA
ABANG ISKANDAR CJ (SABAH & SARAWAK)
MOHD ZAWAWI SALLEH FCJ
B ZABARIAH MOHD YUSOF FCJ
[CIVIL APPEAL NO: 02(f)-62-10-2020(S)]
3 JUNE 2022

C **Abstract** – *Sale and distribution of parallel imports of infringing products would create confusion amongst the consumers and therefore, constitutes trade mark infringement. In this case, the defence of parallel importation raised under s. 40(1)(dd) of the Trade Marks Act 1967 failed when the court held that there was absence of authority or consent, whether express or implied, from the registered proprietor of the trade* D *mark or the authorised distributor of the products. The products imported, by the imprints on its labels, showed that it was restricted for China market and not meant for Malaysian market. Labelling requirements under the Food Regulations 1985 must be strictly adhered to as there are also halal requirements which cater for the majority* E *Muslim market in Malaysia.*

INTELLECTUAL PROPERTY: *Trade mark – Infringement – Allegation of unauthorised resale of products meant for China market – Whether authority or* F *consent obtained from registered proprietor of trade mark or authorised distributor of products – Whether affiliation between parties established for consent to be implied – Whether consent could be implied from bulk purchase of goods – Whether restriction imprinted on packaging implied that goods only for sale in China – Whether defence of parallel importation available – Whether sale and distribution of parallel imports of infringing products would create confusion – Whether labelling* G *requirements under Food Regulations 1985 complied with – Whether there was exhaustion of trade mark rights – Trade Marks Act 1967, ss. 35(1) & 40(1)(dd)*

The first appellant ('P1'), a leading China-based canned food manufacturing company, owned the 'Eagle Coin' trade mark, which was registered in China and in Malaysia, whilst the second appellant ('P2') was a subsidiary of P1 H and was involved in the manufacturing, importation and exportation of food products including canned food. P2 was assigned to use the 'Eagle Coin' trade mark and sell products bearing the said trade mark outside China. The third appellant ('P3'), a Malaysian company based in Sabah, was the sole authorised distributor of canned food products bearing the 'Eagle Coin' trade I mark in Malaysia since March 2008 and the registered trade mark user of the 'Eagle Coin' mark in Malaysia. It was in the business of distributing and

selling food products including canned food. The appellants' ('plaintiffs') complaint against the respondent ('defendant'), who ran a supermarket business in Kota Kinabalu, was that the defendant used the 'Eagle Coin' trade mark on their canned fried dace products in the course of their trade in their supermarket, thus infringing their trade mark. The plaintiffs also pleaded that the defendant had utilised a mark on its products similar to the registered 'Eagle Coin' mark of P3 although the packaging, labels and net weight of the products were different. By utilising the mark the way it did, the plaintiffs alleged that the defendant undertook an action of passing off. The infringing products with the 'Eagle Coin' trade mark sold by the defendant were produced in China by P1 and P2. However, the products were not meant for distribution in Malaysia, and only restricted for sale in China. The defendant was alleged to have imported the infringing products directly from China and offered them for sale in Malaysia without authorisation from P1 or P2 and bypassing P3, the sole authorised distributor. In its defence, the defendant contended the infringing products were purchased directly from the retail outlet of P2 in China and shipped to its supermarket in Kota Kinabalu to be sold in Malaysia. Therefore, it did not infringe the 'Eagle Coin' trade mark of the plaintiffs and instead raised the defence of parallel importation under s. 40 of the Trade Marks Act 1976 ('TMA'). The defendant also filed a counterclaim that upon receipts of the plaintiffs' notice to 'cease and desist', in order to mitigate loss, the defendant sold its remaining products with the 'Eagle Coin' trade mark at discounted prices and hence, sought damages in the sum of RM5,662.88 against the plaintiffs. The High Court Judge entered judgment in favour of the plaintiffs on the claim of infringement of trade mark and for the tort of passing off. The defendant's counterclaim was dismissed. On appeal, the Court of Appeal had considered the quantity of the infringing products purchased by the defendant and was satisfied that there was implied consent given by the plaintiffs to the defendant for re-selling purposes, *ie*, that the defendant had proved its defence of parallel importing and hence, allowed the defendant's appeal. However, there was no order on the counterclaim of the defendant. The plaintiffs obtained leave to appeal to the Federal Court on the questions of law, *inter alia*: (i) will a brand proprietor/owner's trade mark rights be exhausted worldwide even though the goods/merchandise in relation to which the trade mark is used have been put on the market by the brand proprietor/owner to be sold in a specific country/region/geographical area only for *eg*, when it is clearly stated the goods/merchandise are 'to be sold in China only'; (ii) whether the sale of parallel imports in Malaysia can be prohibited if the goods/merchandise purchased and intended to be resold are materially different from the goods/merchandise that the trade mark proprietor/owner has authorised to be put on the market in Malaysia; (iii) whether the quantity of goods/merchandise purchased can be used to determine if there's implied consent given by the

manufacturer/brand proprietor/owner to sell the goods/merchandise purchased outside Malaysia to be resold in Malaysia; and (iv) in the event the answer to question (iii) above is 'yes', whether the consent can be valid if the goods/merchandise purchased were put on the market by the manufacturer/trade mark proprietor/owner to be sold only in that specific country from which the goods/merchandise were purchased from.

Held (allowing plaintiffs' appeal; affirming decision of High Court)
Per Zabariah Mohd Yusof FCJ delivering the judgment of the court:

(1) Although sub-s. 35(1) of the TMA confers on the registered proprietor, the exclusive right to the use of the trade mark in relation to the goods applied for, it is to be read subject to the provisions of the TMA. Sub-section 40(1)(dd) of the TMA provides that once the registered proprietor or registered user has expressly or impliedly consented to another, to use the trade mark in relation to certain goods, and the goods are then placed on the market, the registered proprietor cannot control further dealings with the goods. In dealing with parallel imports, s. 35(1) of the TMA plays a significant role. In the case of a parallel importer, he may import and sell the products bearing the trade mark, although he is not the registered proprietor of the trade mark. (paras 75-80, 84, 85 & 87)

(2) P2 was not the registered proprietor of products bearing the 'Eagle Coin' trade mark, nor assigned to use the trade mark and sell the products bearing the trade mark outside China. The defendant was not the authorised distributor of the products bearing 'Eagle Coin' trade mark. There was no authority, consent, whether express or implied, given by the registered proprietor of the 'Eagle Coin' trade mark or the authorised distributor in Malaysia, P3, to the defendant, to sell the products bearing the same trade mark. As imprinted on the packaging of the goods which were purchased by the defendant from the retail outlet of P2 in China, there was restriction that the goods were meant for the China market only. The defendant was neither an existing customer of P2 nor a known exporter/distributor of 'Eagle Coin' products for consent to be implied or deemed. (paras 125-128)

(3) The cases from the European Court of Justice showed that trade mark rights cannot be exhausted worldwide and would only be exhausted nationally if the imported goods were also placed on the national market by the registered proprietor/owner, with their consent. Implied consent can only be inferred when the facts and the circumstances unequivocally show that the proprietor has renounced his right to oppose placing of the goods on the market to the jurisdiction the goods were imported to. Consent must be (i) by the registered proprietor or user; and (ii) shown to relate to the use of the marks whose rights were secured by

registration. There was no consent, be it express nor implied, by the plaintiffs, to the resale of the products in Malaysia. There was no affiliation between the plaintiffs and the defendant to warrant any implied consent, rather it invited confusion and deception amongst consumers due to the unauthorised sale of the products. Therefore, there was no exhaustion of their trade mark rights, be it nationally nor internationally. (paras 129-131 & 136)

(4) Hence, the High Court Judge did not err in holding that the defence of parallel importation failed and that the trade mark rights of the plaintiffs had been infringed when it imported the products that carried the trade mark 'Eagle Coin' which was restricted for sale in China only. These products, though not counterfeit, but products of the plaintiffs brought into Malaysia through unauthorised parallel importation. Therefore, question (i) was answered in the negative. (paras 137 & 138)

(5) There are occasions/situations where a company chose to produce different goods for different markets under the same trade mark, due to different requirements in terms of cultural, standards and availability of resources relevant in different regions/country. The infringing products purchased by the defendant from the retail outlet of P2 in China did not comply with the labelling requirements under the Food Regulations 1985 and halal requirement unlike the products authorised to be sold in the Malaysian market which also provided for the Muslim market. In the circumstances, the sale and distribution of parallel imports of the infringing products, would create confusion amongst the consumers and would constitute trade mark infringement. Therefore, question (ii) was answered in the affirmative. (paras 139 & 144-147)

(6) Bulk purchase of the goods could not be taken as implied consent by the manufacturer/brand proprietor/owner to sell the goods/merchandise purchased outside Malaysia to be resold in Malaysia. Consent does not just extend to the act of reselling but where the products can be resold. Due to the clear objection by virtue of the territorial restriction on the packaging, it would be absurd to rely on the sheer quantity of the purchase to imply consent to importing the goods into Malaysia for reselling. Therefore, question (iii) was answered in the negative. It followed therefore that question (iv) was no longer relevant and the court declined to answer question (iv). (paras 148, 150, 151, 153 & 154)

(7) Questions (v), (vi) and (vii) *ie*, whether goods/merchandise when purchased but not imported and/or does not comply with laws concerning importation amount to parallel importation; whether the law in Malaysia allows for food products to be sold even though it is not packaged according to the Food Regulations 1985 and/or Food Act 1983; and whether the implied consent and/or express consent given by

A the trade mark proprietor/owner supersede the laws of Malaysia, respectively, were never raised before the High Court Judge and therefore, the court declined to answer the questions. (paras 155 & 156)

Obiter:

B **(1)** The International Trade Mark Association recommends some jurisdictions adopt a material differences standard to exclude parallel imports that are materially different from those products authorised for sale by the trade mark proprietor/owner in the domestic market. In the US, which applies the 'first-sale doctrine' (where the trade mark owner cannot prevent the subsequent re-sale of its goods by others), the sale and distribution of parallel imports that are materially different from the goods authorised for sale within the US, would cause confusion and would constitute trade mark infringement. Malaysia should adopt an approach like the US that the sale and distribution of parallel imports that are 'materially different' from goods authorised for sale within the country constitutes trade mark infringement. (paras 140-142)

Bahasa Malaysia *Headnotes*

Perayu pertama ('P1'), sebuah syarikat utama dalam pembuatan makanan dalam tin yang berpusat di China, memiliki cap dagangan 'Eagle Coin' yang E berdaftar di China dan Malaysia, manakala perayu kedua ('P2') adalah anak syarikat P1 dan terlibat dalam pembuatan, pengimportan dan pengeksportan barangan makanan termasuk makanan dalam tin. P2 diberi hak menggunakan cap dagangan 'Eagle Coin' dan menjual barangan yang mempunyai cap dagangan tersebut di luar negara China. Perayu ketiga ('P3'), sebuah syarikat F Malaysia berpusat di Sabah, adalah pengedar tunggal makanan dalam tin dengan cap dagangan 'Eagle Coin' yang diberi kuasa semenjak Mac 2008 dan pengguna berdaftar cap dagangan 'Eagle Coin' di Malaysia. Ia menjalankan perniagaan mengedar dan menjual barangan makanan termasuk makanan dalam tin. Aduan perayu-perayu ('plaintif-plaintif') terhadap responden G ('defendan'), yang menjalankan perniagaan pasaraya di Kota Kinabalu, adalah bahawa defendan menggunakan cap dagangan 'Eagle Coin' atas tin barangan 'fried dace' semasa menjalankan perniagaan di pasaraya tersebut, dengan itu, melanggar cap dagangan mereka. Plaintif-plaintif juga memplidkan bahawa defendan telah menggunakan satu cap dagangan atas produknya menyerupai cap dagangan berdaftar 'Eagle Coin' milik P3 H walaupun pembungkusan, label dan berat bersih produk-produk itu berbeza. Dengan menggunakan cap dagangan dengan cara itu, plaintif-plaintif mendakwa defendan melakukan tindakan kelirupaan. Produk yang melanggar cap dagangan 'Eagle Coin' yang dijual defendan dikeluarkan di negara China oleh P1 dan P2. Walau bagaimanapun, produk-produk itu I bukan untuk pengedaran di Malaysia, dan terhad untuk jualan di negara China. Defendan didakwa telah mengimport barangan melanggar tersebut secara langsung dari China dan menawarkan untuk dijual di Malaysia tanpa

kebenaran daripada P1 dan P2 dan melangkaui P3, pengedar tunggal yang diberi kuasa. Dalam pembelaannya, defendan menghujahkan bahawa barangan yang melanggar itu dibeli secara langsung dari kedai runcit P2 di China dan dihantar ke pasarayanya di Kota Kinabalu untuk dijual di Malaysia. Oleh itu, dia tidak melanggar cap dagangan 'Eagle Coin' plaintif-plaintif dan sebaliknya membangkitkan pembelaan pengimportan selari bawah s. 40 Akta Cap Dagangan 1976 ('Akta'). Defendan juga memfailkan tuntutan balas bahawa selepas menerima notis plaintif-plaintif untuk 'cease and desist', untuk mengurangkan kerugian, defendan telah menjual baki barangan dengan cap dagangan 'Eagle Coin' pada harga diskaun dan oleh itu, memohon ganti rugi berjumlah RM5,662.88 terhadap plaintif-plaintif. Hakim Mahkamah Tinggi memasukkan penghakiman berpihak pada plaintif-plaintif atas tuntutan pelanggaran cap dagangan dan untuk tort kelirupaan. Tuntutan balas defendan ditolak. Atas rayuan, Mahkamah Rayuan mempertimbangkan kuantiti barangan yang dilanggar yang dibeli defendan dan berpuas hati bahawa terdapat persetujuan tersirat oleh plaintif-plaintif kepada defendan untuk tujuan penjualan balik, iaitu, defendan telah membuktikan pembelaan pengimportan selari dan oleh itu, membenarkan rayuan defendan. Walau bagaimanapun, tiada perintah untuk tuntutan balas defendan. Plaintif-plaintif memperoleh kebenaran merayu ke Mahkamah Persekutuan atas soalan-soalan undang-undang, antara lain: (i) sama ada hak cap dagangan tuan punya/pemilik jenama akan habis digunakan di seluruh dunia walaupun barangan/barang niaga berkaitan dengan cap dagangan yang digunakan dimasukkan ke pasaran oleh tuan punya/pemilik jenama tersebut untuk dijual di negara/kawasan/kawasan geografi khusus sahaja, contohnya, apabila jelas dinyatakan bahawa barangan/barang niaga adalah 'untuk dijual di China sahaja'; (ii) sama ada jualan import selari di Malaysia boleh dilarang jika barangan/barang niaga yang dibeli dan hendak dijual semula berbeza secara material daripada barangan/barang niaga yang tuan punya/pemilik cap dagangan yang dibenarkan dijual di pasaran Malaysia; (iii) sama ada kuantiti barangan/barang niaga yang dibeli boleh digunakan untuk menentukan sama ada kebenaran diberi secara tersirat oleh pembuat/tuan punya/pemilik jenama untuk menjual barangan/barang niaga yang dibeli di luar Malaysia untuk dijual semula di Malaysia; dan (iv) jika jawapan untuk soalan (iii) adalah 'ya', sama ada persetujuan adalah sah jika barangan/barang niaga yang dibeli dimasukkan dalam pasaran oleh pembuat/tuan punya/pemilik jenama untuk dijual hanya di negara tertentu yang daripadanya barangan/barang niaga dibeli.

Diputuskan (membenarkan rayuan plaintif-plaintif; mengesahkan keputusan Mahkamah Tinggi)

Oleh Zabariah Mohd Yusof HMP menyampaikan penghakiman mahkamah:

(1) Walaupun sub-s. 35(1) Akta memberikan pemilik berdaftar, hak eksklusif penggunaan cap dagangan berkaitan barangan yang dipohon, itu perlu dibaca bersama-sama dengan peruntukan-peruntukan Akta.

Sub-seksyen 40(1)(dd) Akta memperuntukkan bahawa sebaik sahaja pemilik berdaftar atau pengguna berdaftar secara langsung atau tersirat menyetujui untuk seorang yang lain menggunakan cap dagangan berkaitan barangan tertentu, dan barangan itu kemudian dimasukkan dalam pasaran, pemilik berdaftar tersebut tidak boleh mengawal urusniaga lanjut berkaitan barangan itu. Dalam perkara berkaitan pengimport selari, dia boleh mengimport dan menjual barangan dengan cap dagangan tersebut, walaupun dia bukan pemilik berdaftar cap dagangan itu.

(2) P2 bukan pemilik berdaftar barangan cap dagangan 'Eagle Coin', ataupun dibenarkan menggunakan cap dagangan dan menjual barangan dengan cap dagangan itu di luar China. Defendan bukan pengedar yang diberi kuasa untuk barangan dengan cap dagangan 'Eagle Coin'. Tiada kuasa, persetujuan, sama ada secara langsung atau tersirat, diberi oleh pemilik berdaftar cap dagangan 'Eagle Coin' atau pengedar yang diberi kuasa di Malaysia, P3, kepada defendan, untuk menjual barang dengan cap dagangan sama itu. Seperti yang tercetak pada bungkusan barangan yang dibeli defendan dari kedai runcit P2 di China, terdapat sekatan bahawa barangan itu adalah untuk pasaran China sahaja. Defendan bukan pelanggan P2 atau pengimport/pengedar barangan 'Eagle Coin' untuk persetujuan tersirat atau dianggap.

(3) Kes-kes European Court of Justice menunjukkan bahawa hak cap dagangan tidak boleh digunakan sepenuhnya di seluruh dunia dan hanya boleh digunakan sepenuhnya dalam negara jika barangan yang diimport juga dipasarkan dalam pasaran negara oleh tuan punya/pemilik berdaftar, dengan persetujuan mereka. Persetujuan tersirat hanya boleh dianggap apabila fakta-fakta dan hal keadaan jelas menunjukkan bahawa pemilik telah menggugurkan haknya untuk menentang meletakkan barangan dalam pasaran kepada bidang kuasa yang mana barangan itu akan diimport. Persetujuan mestilah (i) oleh pemilik atau pengguna berdaftar; dan (ii) ditunjukkan berkait dengan kegunaan cap orang yang haknya dijamin melalui pendaftaran. Tiada persetujuan, sama ada secara langsung atau tersirat, oleh plaintif-plaintif untuk jualan semula produk-produk itu di Malaysia. Tiada hubungan antara plaintif-plaintif dan defendan untuk mewajarkan apa-apa persetujuan tersirat, sebaliknya, ini mengakibatkan kekeliruan dan penipuan antara pengguna-pengguna kerana penjualan tanpa kuasa produk-produk tersebut. Oleh itu, tiada penggunaan penuh hak cap dagangan mereka, sama ada dalam negara atau dalam arena antarabangsa.

(4) Oleh itu, Hakim Mahkamah Tinggi tidak terkhilaf apabila memutuskan bahawa pembelaan pengimportan selari gagal dan hak cap dagangan plaintif-plaintif dilanggar apabila defendan mengimport produk-produk dengan cap dagangan 'Eagle Coin' yang penjualannya terhad di China

sahaja. Produk-produk ini, walaupun bukan palsu, tetapi produk plaintif-plaintif yang dibawa masuk ke Malaysia melalui pengimportan selari tanpa kuasa. Oleh itu, soalan (i) dijawab secara negatif.

(5) Wujud keadaan/situasi apabila syarikat memilih untuk mengeluarkan barangan berbeza untuk pasaran berlainan bawah cap dagangan sama, disebabkan oleh perbezaan keperluan dalam terma kebudayaan, standard dan kebolehdapatan sumber-sumber relevan dalam kawasan/negara berlainan. Produk-produk melanggar yang dibeli defendan dari kedai runcit P2 di China tidak mematuhi keperluan pelabelan bawah Peraturan-peraturan Makanan 1985 dan keperluan halal dan bukan seperti produk-produk yang dibenarkan untuk dijual dalam pasaran Malaysia yang juga memperuntukkan untuk pasaran orang Islam. Dalam keadaan itu, penjualan dan pengedaran import selari produk-produk yang melanggar, akan membentuk kekeliruan antara pengguna-pengguna dan akan membentuk pelanggaran cap dagangan. Oleh itu, soalan (ii) dijawab secara afirmatif.

(6) Pembelian barangan secara pukal tidak boleh dianggap sebagai persetujuan tersirat oleh pembuat/pemilik/tuan punya jenama untuk menjual barangan/barang niaga yang dibeli di luar Malaysia untuk dijual semula dalam Malaysia. Persetujuan tidak hanya dilanjutkan pada tindakan penjualan semula tetapi apabila produk-produk itu boleh dijual semula. Disebabkan bantahan jelas melalui pengehadan kawasan pada bungkusan, tidak munasabah untuk bersandar pada hanya kuantiti pembelian untuk menyiratkan persetujuan untuk pengimportan barangan ke Malaysia untuk penjualan semula. Oleh itu, soalan (iii) dijawab secara negatif. Berikutan itu, soalan (iv) tidak lagi relevan dan mahkamah menolak untuk menjawab soalan (iv).

(7) Soalan-soalan (v), (vi) dan (vii) iaitu, sama ada barangan/barang niaga apabila dibeli tetapi tidak diimport dan/atau tidak mematuhi undang-undang berkenaan pengimportan menjurus pada pengimportan selari; sama ada undang-undang Malaysia membenarkan barangan makanan dijual walaupun tidak dibungkus menuruti Peraturan-peraturan Makanan 1985 dan/atau Akta Makanan 1983; dan sama ada persetujuan tersirat dan/atau persetujuan langsung diberi oleh pemilik/tuan punya cap dagangan mengatasi undang-undang Malaysia, masing masing, tidak pernah dibangkitkan di hadapan Hakim Mahkamah Tinggi dan dengan itu, mahkamah menolak untuk menjawab soalan-soalan tersebut.

Obiter:

(1) Persatuan Cap Dagangan Antarabangsa mencadangkan bahawa bidang kuasa tertentu perlu mengguna pakai standard perbezaan material untuk mengecualikan pengimportan selari yang terlalu berbeza dari produk yang dibenarkan dijual oleh pemilik/tuan punya cap dagangan dalam

pasaran domestik. Di Amerika Syarikat, yang menggunakan 'first-sale doctrine' (iaitu pemilik cap dagangan tidak boleh menghalang jualan semula barangannya oleh orang lain), jualan dan pengedaran pengimportan selari yang amat berbeza daripada barangan yang dibenarkan dijual dalam Amerika Syarikat, akan mengakibatkan kekeliruan dan membentuk pelanggaran cap dagangan. Malaysia sepatutnya mengguna pakai pendekatan seperti Amerika Syarikat bahawa penjualan dan pengedaran barangan pengimportan selari yang 'amat berbeza' daripada barangan yang dibenarkan dijual dalam negara membentuk pelanggaran cap dagangan.

Case(s) referred to:

Colgate-Palmolive Ltd & Anor v. Markwell Finance Ltd & Anor [1989] RPC 49 ***(refd)***
Federal Hotel Sdn Bhd v. National Union of Hotel, Bar & Restaurant Workers [1983] 1 CLJ 67; [1983] CLJ (Rep) 150 FC ***(refd)***
In Re PT Garudafood Putra Putri Jaya TBK [2019] 6 CLJ 217 HC ***(refd)***
Lever Brothers Co v. United States of America, 981 F.2d 1330 ***(refd)***
Reckitt & Colman Products Ltd v. Borden Inc & Ors [1990] 1 All ER 873 ***(refd)***
Revlon Inc & Others v. Cripps Lee Ltd [1980] FSR 85 ***(dist)***
Sebago Inc v. GB-Unic SA (Case C-173/98) ***(refd)***
Silhouette International Schmied GmbH & Co KG v. Hartlauer Handelsgesellschaft mbH (Case C-355/96) ***(refd)***
Sinma Medical Products (M) Sdn Bhd v. Yomeishu Seizo Co Ltd & Ors [2004] 3 CLJ 815 CA ***(refd)***
Societe Des Proouits Nestle v. Casa Helvetia, 982 F.2d 633 ***(refd)***
Tien Ying Hong Enterprise Sdn Bhd v. Beenion Sdn Bhd [2011] 2 CLJ 469 HC ***(dist)***
Winthrop Products Inc & Anor v. Sun Ocean (M) Sdn Bhd & Anor [1988] 1 LNS 21 HC ***(dist)***
Zino Davidoff SA v. A & G Imports Ltd [1999] RPC 63 ***(refd)***

Legislation referred to:

Customs Regulations 1977, reg. 12(3)
Customs Regulations 2019, reg. 23
Food Act 1983, ss. 29, 30
Trade Marks Act 1976, ss. 35(1), 38(1), 40(1)(d), (dd), 48(5)
Trade Marks Ordinance 1950, s. 52(3)(a)

Trade Marks Act 1938 [UK], ss. 4(1), (3)(a)(i)

For the appellants - Lin Pei San; M/s PS Lin Chambers
For the respondent - Cham Ngit Shin; M/s Ronny Cham & Co

[Editor's note: For the Court of Appeal judgment, please see Lintas Superstore Sdn Bhd v. Guangzhou Light Industry & Trade Group Ltd & Ors [2019] 1 LNS(O) 29 (overruled) For the High Court judgment, Guangzhou Light Industry & Trade Group Ltd & Ors v. Lintas Superstore Sdn Bhd [2018] 1 LNS 2329 (affirmed).]

Reported by S Barathi

JUDGMENT

Zabariah Mohd Yusof FCJ:

[1] The appellants/plaintiffs appealed against the decision of the Court of Appeal which allowed the respondent's/defendant's appeal with costs of RM40,000 and set aside the High Court judgment which decided in favour of the appellants/plaintiffs.

[2] The appellants/plaintiffs obtained leave to appeal to this court on the following seven questions of law:

(i) Will a brand proprietor/owner's trade mark rights be exhausted worldwide even though the goods/merchandise in relation to which the trade mark is used have been put on market by the brand proprietor/owner to be sold in a specific country/region/geographical area only for *eg*, when it is clearly stated the goods/merchandise are "to be sold in China only"?

(ii) Whether the sale of parallel imports in Malaysia can be prohibited if the goods/merchandise purchased and intended to be resold are materially different from the goods/merchandise that the trade mark proprietor/owner has authorised to be put on market in Malaysia?

(iii) Can the quantity of goods/merchandise purchased be used to determine if there's implied consent given by the manufacturer/brand proprietor/owner to sell the goods/merchandise purchased outside Malaysia to be resold in Malaysia?

(iv) In the event the answer to question (iii) above is "yes", then can the consent be valid if the goods/merchandise purchased were put in market by the manufacturer/trade mark proprietor/owner to be sold only in that specific country from which the goods/merchandise were purchased from?

(v) Whether goods/merchandise when purchased but not imported and/or does not comply with laws concerning importation amount to parallel importation?

(vi) Whether the law in Malaysia allows for food products to be sold even though it is not packaged according to the Food Regulations 1985 and/or Food Act 1983?

(vii) Whether the implied consent and/or express consent given by the trade mark proprietor/owner supersede the laws of Malaysia?

[3] In this judgment, we will refer to the parties as they were in the High Court.

A **Brief Facts**

[4] The plaintiffs' claim against the defendant is for loss and damages arising from an alleged trade mark infringement and passing-off of goods. In response, the defendant denied the claim and filed a counterclaim.

B **[5]** The first plaintiff (P1) is a leading China-based canned food manufacturing company. P1 owns the "Eagle Coin" trade mark, which is registered in China and in Malaysia, which is set out below:

C

[6] The second plaintiff (P2) is a subsidiary of P1. It is involved in the manufacturing, importation and exportation of food products including canned food. P2 was assigned to use the "Eagle Coin" trade mark and sell
D products bearing the said trade mark outside China.

[7] The third plaintiff (P3) is a Malaysian company based in Sabah. It is in the business of distributing and selling food products including canned food. It is the sole authorised distributor of canned food products bearing the "Eagle Coin" trade mark in Malaysia since March 2008. P3 is the registered
E trade mark user of the "Eagle Coin" mark in Malaysia. The said registration is renewable annually.

[8] The defendant runs a supermarket business in Kota Kinabalu, Sabah and sells sundry goods including food products.

F **[9]** The plaintiffs' complaint against the defendant is that the defendant used the "Eagle Coin" trade mark on their canned fried dace products in the course of their trade in their supermarket in Kota Kinabalu, Sabah. By this, it was alleged that the defendant has infringed their trade mark.

[10] The plaintiffs also pleaded that the defendant had utilised a mark on
G its products that is similar to the registered "Eagle Coin" mark of P3 although the packaging, labels, and net weight of the products are different (hereinafter referred to as "the infringing products"). By utilising the mark the way it did, the plaintiffs alleged that the defendant undertook an action of passing off.

H **[11]** The infringing products with the "Eagle Coin" trade mark sold by the defendant are produced in China by P1 and P2 but the said products are not meant for distribution in Malaysia, and only restricted for sale in China. The defendant is alleged to have imported the infringing products directly from China and offered them for sale in Malaysia without authorisation from P1
I or P2 and bypassing P3, the sole authorised distributor.

[12] The premise of the defence is that the defendant purchased the infringing products directly from the retail outlet of P2 in China and shipped the same to its supermarket in Kota Kinabalu to be sold in Malaysia. Therefore, it contended that it did not infringe the "Eagle Coin" trade mark of the plaintiffs and instead raised the defence of parallel importation under s. 40(1)(dd) of the TMA.

[13] The defendant also filed a counterclaim. After receiving the plaintiff solicitors' notice to "cease and desist", in order to mitigate loss, the defendant sold its remaining products with the "Eagle Coin" trade mark at discounted prices. After being served with the writ of summons, the defendant removed all the infringing products in question from its shelves. For this, the defendant sought damages in the sum of RM5,662.88 in its counterclaim against the plaintiffs.

Proceedings In The High Court

[14] The learned trial judge allowed the plaintiffs' claim. At the trial, His Lordship dealt with the following issues, namely:

(i) Whether the defendant had infringed the "Eagle Coin" trade mark?;

(ii) Whether there is merit in the defence of parallel importation raised by the defendant?; and

(iii) Whether the defendant passed off the infringing products as the goods of the third plaintiff?

Whether The Defendant Had Infringed The "Eagle Coin" Trade Mark?

[15] In determining whether there has been an infringement of trade mark, the High Court considered the undisputed evidence that P1 as the registered user of the trade mark had assigned to P3, the sole right to use the "Eagle Coin" trade mark in Malaysia. P3 tendered evidence that it has been registered as a "user" under sub-s. 48(5) of the Trade Marks Act 1976 (TMA). The effect of being a registered user under sub-s. 48(5) of the TMA is that, "the use of that trade mark by the registered user within the limits of his registration shall be deemed to be use by the registered proprietor of the trade mark to the same extent as the use of the trade mark by the registered user and shall be deemed not to be use by any other person." Pursuant to sub-s. 35(1) of the TMA, P3 is entitled to the rights provided under the said section which, in respect of any goods or services, provide P3 the exclusive right to use the mark.

[16] The learned High Court Judge made findings that the defendant had knowledge that it was using P1's trade mark because of the following evidence:

(i) There was admission by the defendant that in selling the canned fried dace that used the "Eagle Coin" mark, in Malaysia, it was not sourced from P3, who is the exclusive distributor of the product and the sole registered user of the said mark in Malaysia;

(ii) The defendant had previously ordered canned fried dace with the "Eagle Coin" trade mark from P3 for sale in its supermarket but ceased doing so because of the high price; and

(iii) It is printed on the packaging of the "Eagle Coin" trade mark fried dace distributed by P3, that the P3 is the sole authorised distributor of the product of P1.

Therefore, it is impossible for the defendant to deny knowledge that P3 is the sole authorised distributor of the products of "Eagle Coin" trade mark. P3 asserted that the defendant is not their authorised distributor in Malaysia.

[17] Given the aforesaid, the learned High Court Judge held that the defendant had infringed upon the exclusive rights of the plaintiffs to use the mark.

Whether The Defence Of Parallel Importation Has Merit?

[18] The defendant argued that the products did not infringe the trade mark rights of the plaintiffs because they were sourced from the retail outlet of P2 in China and therefore fell under the description of "parallel import". The defendant contended that parallel importation of goods is not illegal in Malaysia and reliance was placed on the case of *Winthrop Products Inc & Anor v. Sun Ocean (M) Sdn Bhd & Anor* [1988] 1 LNS 21; [1988] 2 MLJ 317 (*Winthrop*).

[19] As the defendant had raised the defence of parallel importation under sub-s. 40(1)(dd) of the TMA, the learned High Court Judge considered the law in relation to the said section and ruled that in raising the defence of "parallel import" by the defendant, it is incumbent on the defendant to prove the critical element of an express/implied consent from the owner of the trade mark as required under the same.

[20] On the facts of the instant case, His Lordship held that there is no evidence (be it direct or circumstantial), of the presence of the element of consent that is essential to sustain the defence of parallel importation.

[21] Apart from the absence of consent, the infringing products which were imported by the defendant to be sold in Malaysia were not meant to be sold in Malaysia as its sale was restricted to the China market only. The facts also show that the labelling of the infringing products, which were imported by the defendant, failed to comply with the requirements under Malaysian laws. These facts present a sharp contrast to the facts in *Winthrop* where there is no territorial restriction on the packaging of Panadol bought in the UK. Significantly, the plaintiffs in *Winthrop* were found to have impliedly consented to the use of the trade mark by the manufacturers of the Panadol in the UK which had found its way into the Malaysian market. They all belong to the same corporate group.

[22] Hence, the learned High Court Judge held that the defence of parallel importation fails. Therefore, the trade mark rights of the plaintiffs had been infringed by the defendant.

Whether The Defendant Passed Off The Fried Dace That It Sold As The Goods Of The Third Plaintiff?

[23] Concerning the claim by the plaintiff on passing off, P3's case is that the defendant misled the public into thinking that the fried dace with the "Eagle Coin" trade mark put up for sale by the defendant, was the same product marketed by P3.

[24] The witness for P3 testified that the fried dace sold by his company complied with Malaysian law including the "halal" requirement whereas the infringing products sold by the defendant did not. However, as both bore the same distinctive "Eagle Coin" trade mark on the packaging, the public had been misled into assuming that it is the same product that is marketed by P3 as the sole authorised distributor in Malaysia. It was established at trial that the infringing products sold by the defendant, despite the common origin, is not the same as the product that is being sold by the plaintiffs as the defendant's infringing product does not comply with the requirements of Malaysian law.

[25] The learned High Court Judge found the essential elements as propounded in the case of *Reckitt & Colman Products Ltd v. Borden Inc & Ors* [1990] 1 All ER 873, where Lord Oliver in the House of Lords laid down the following three essential elements of the tort of passing-off (followed in the Court of Appeal case of *Sinma Medical Products (M) Sdn Bhd v. Yomeishu Seizo Co Ltd & Ors* [2004] 3 CLJ 815) had been proved by the plaintiffs:

(i) That the plaintiffs have goodwill attached to the business regarding the mark used by the plaintiffs in respect of the plaintiffs' goods or services;

(ii) That the defendant has misrepresented to the public by using a mark which is likely to confuse or deceive the public to believe that the defendant's goods or services are that of the plaintiffs; and

(iii) That there is a likelihood of damage to the plaintiffs due to the defendant's misrepresentation.

[26] In the premises, the reputation of P3 would be damaged if Malaysian customers confused the source of the defendant's product because of the common identical trade mark. Therefore, the plaintiffs have also succeeded in establishing the claim under the tort of passing off.

[27] Hence, judgment was entered in favour of the plaintiffs on the claim of infringement of trade mark and for the tort of passing off. The counterclaim by the defendant was accordingly dismissed.

A **Proceedings In The Court Of Appeal**

[28] As we have alluded to earlier, the Court of Appeal allowed the appeal by the defendant and set aside the judgment of the High Court with costs of RM40,000. The Court of Appeal however, did not make any order on the counterclaim of the defendant. Neither were there any grounds of judgment from the Court of Appeal.

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[29] In any event, the grounds of appeal by the defendant at the Court of Appeal were premised on the following:

(i) That when the defendant through their agent went to the retail store in China to purchase the infringed products, there is implied consent given by P2 through the retail stores that they can re-sell the infringed products purchased in Malaysia; and

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(ii) With the existence of implied consent given by the P2, it falls under the meaning and principles of the law on parallel importation as stated in the case of *Winthrop*.

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[30] Although there are no reasons profferred by the Court of Appeal as to why the appeal was allowed, the plaintiff in their written submissions (encl. 28), at para. 4.2 submitted that the Court of Appeal *via* their brief oral grounds mentioned that they have considered the quantity of the infringing products (which consisted of 720 cans of fried dace without salted bean and 1,200 cans of fried dace with salted bean) purchased by the defendant, and the panel of the Court of Appeal were satisfied that there was implied consent given by the plaintiffs to the defendant for reselling purposes. In other words, this was the sole basis of the Court of Appeal in accepting that the defendant had proved its defence of parallel importing.

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Proceedings In The Federal Court

Submission By The Plaintiffs

[31] In addressing question 1, the plaintiffs submitted that, on the facts, the infringing products purchased by the defendant from China are different in quality and packaging from the plaintiffs' goods in the Malaysian market and there was no exhaustion of the plaintiffs' trade mark rights, nor had the plaintiffs consented (expressly or impliedly) to the resale of the infringing products in Malaysia.

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[32] The plaintiffs asserted that most jurisdictions allow parallel imports following the principle of exhaustion of intellectual property rights upon the sale of the goods bearing the trade mark in question. However, there is a distinction between national and international exhaustion of the intellectual property rights. The former allows national resale of the goods while the latter allows resale in countries other than the country of origin.

I

[33] Currently, there is no international treaty in the field of trade marks compelling any form of standard of national or international exhaustion. Neither has it been addressed by the Paris Convention. A

[34] Sub-section 40(1)(d) of the TMA, provides for instances where parallel importation does not constitute trade mark infringement. Specific to sub-s. 40(1)(dd) TMA, for the defence of parallel importation to succeed, there must be consent (be it express or implied) from the registered owner of the trade mark. B

[35] The case of *Winthrop*, relied heavily by the defendant can be distinguished from its facts with our present appeal, where in *Winthrop*, there was no territorial restriction on the sale of the goods. In the present appeal, there was restriction for the goods to be sold outside China so there cannot be implied consent from the trade mark proprietor or trade mark user. C

[36] Another distinguishing factor is that in *Winthrop*, one of the defendants was an existing customer of the plaintiffs who knew that the defendant was an exporter of the goods so the court could infer there was implied consent to reselling, whereas here the defendant was neither an existing customer of P2 nor a known exporter/distributor of "Eagle Coin" products for consent to be implied or deemed. D

[37] *Winthrop* followed the *ratio* in the case of *Revlon Inc & Others v. Cripps Lee Ltd* [1980] FSR 85 (*Revlon*) on the issue of consent where the facts bear some similarities to the facts in *Winthrop*. E

[38] The plaintiffs referred to the English case of *Colgate-Palmolive Ltd & Anor v. Markwell Finance Ltd & Anor* [1989] RPC 49 (*Colgate-Palmolive*), where the court found there was an absence of express consent and refused to infer any implied consent as there were attempts to prevent the import of the Brazilian goods to the UK. This was especially so, where the goods produced in Brazil were of lower quality compared to the goods made in the UK due to the significant difference in the formulation of the toothpaste, and this would create a misrepresentation to consumers as to the quality of the goods marketed by the plaintiff. F G

[39] These principles are similar to the position adopted by the European Court of Justice (ECJ) in dealing with exhaustion of rights within the member states. Cases from the ECJ show that trade mark rights cannot be exhausted worldwide and would only be exhausted nationally if the imported goods were also placed on the national market by the registered proprietor/owner of the mark with their consent (see the cases of *Silhouette International Schmied GmbH & Co KG v. Hartlauer Handelsgesellschaft mbH* (Case C-355/96); *Sebago Inc v. GB-Unic SA* (Case C-173/98)). H

[40] Consent can only be implied if it can be shown from the facts and circumstances of the case at the time the goods were placed in the market elsewhere that the trade mark proprietor has unequivocally renounced their I

A right to oppose the placing of the goods on the market within the jurisdiction where the goods are imported to (see *Zino Davidoff SA v. A & G Imports Ltd* [1999] RPC 63).

[41] In summary, the ECJ cases demonstrates that a trade mark proprietor's right cannot be exhausted worldwide. It cannot even be B exhausted nationally, unless the goods imported from the outside jurisdiction were also placed nationally by the trade mark proprietor or owner or with their consent.

[42] This is also in line with the position taken by the International Trade Mark Association, which advocates worldwide exhaustion should not apply C to parallel import in the absence of clear proof that the trade mark owner consented to such imports.

[43] In our present case, with the existence of the expressed restrictions on the packaging of the infringing goods bearing the registered trade mark of the D proprietor's that restricts sale outside China, there cannot be worldwide exhaustion of the plaintiffs' trade mark rights. In addition, the infringing products are not the same as the products sold by the plaintiffs in Malaysia in terms of quality and packaging. The infringing products also do not comply with the standard, technical rules and labelling regulations under the E Food Act 1983 which imposes compulsory labelling and shelf life on the packaging.

[44] The plaintiffs submitted that question (i) ought to be answered in the negative and the appeal should be allowed.

[45] In answering question (ii), the plaintiffs submitted that it is not unusual F for a company to produce different goods for different markets under the same trade mark.

[46] The International Trade Mark Association recommends some jurisdictions adopt a "material differences" standard to exclude parallel imports that are materially different from those products authorised for sale G by the trade mark proprietor/owner in the domestic market. This is the approach that appears to have been adopted by the High Court in *In Re PT Garudafood Putra Putri Jaya TBK* [2019] 6 CLJ 217; [2019] 11 MLJ 396.

[47] The position in US is such that parallel imports are not unlawful *per* H *se*. Once a trade mark owner releases its products into the market, it cannot prevent the subsequent resale of those products by others. However, the sale and distribution of parallel imports that are "materially different" from goods authorised for sale in the US constitutes trade mark infringement. In support of this proposition, the plaintiff referred to the case of *Societe Des* I *Proouits Nestle v. Casa Helvetia*, 982 F.2d 633 (1st Cir, 1992) where the US Federal Court of Appeals held that the registered proprietor of the trade mark ought to be protected against the importation of the gray goods, namely, trade marked goods manufactured abroad under a valid license but brought into

this country in derogation of arrangements lawfully made by the trade mark holder to ensure territorial exclusivity. It was held that even a single material difference creates a presumption that the gray goods have a potential to mislead or confuse consumers about the nature or quality of the product.

[48] The case of *Lever Brothers Co v. United States of America*, 981 F.2d 1330 (D.C. Cir. 1993) is instructive where the US Court of Appeals for the District of Columbia prohibited the importation of physically different foreign goods bearing a trade mark which was identical to a valid US trade mark, regardless of the trade mark's genuine character abroad or affiliation between the producing firms. The court went on to hold that the affiliation between the producers in no way reduces the probability of substantial consumer confusion and deception in the US about the nature and origin of the goods.

[49] In the *Colgate-Palmolive*'s case, the court held that the 'goodwill' of "Colgate" had been damaged by the importation of inferior "Colgate" products. In the US which applies the "first-sale doctrine" (where the trade mark owner cannot prevent the subsequent re-sale of its goods by others), the sale and distribution of parallel imports that are materially different from the goods authorised for sale within the US, would cause confusion and would constitute trade mark infringement. The plaintiffs submitted that this should be adopted in cases of parallel imports in Malaysia, as the fact that both goods come from the same manufacturer is irrelevant as the probability of confusion exists.

[50] In our present case, it was agreed, apart from the expressed territorial restriction of sale on the packaging, the products offered for sale by the defendant are materially different in terms of contents, quality and packaging. In addition, it failed to comply with the legislations pertaining to food for sale in Malaysia.

[51] Therefore, for question (ii) it is submitted that this court ought to answer it in the affirmative.

[52] For question (iii), the plaintiff submitted that, implying consent from the brand proprietor/trade mark owner through bulk quantity purchased by the defendant is a false premise because consent does not just extend to the act of reselling but where the products can be resold.

[53] Due to the territorial restriction on the packaging, the bulk purchase by the defendant can only be used to infer that the purchase was to be resold in other areas within China so the consent of the appellants, if any, must be restricted to reselling in China only.

[54] The territorial restriction on the packaging meant that there was objection for the goods to be sold outside China, therefore, it would be absurd to rely on the sheer quantity of the purchase to imply consent to

importing the goods into Malaysia for reselling. For consent to be implied, it must be shown that there was a clear renunciation of rights by the manufacturer/brand proprietor/trade mark owner.

[55] Hence, question (iii) ought to be answered in the negative.

[56] For question (iv) it ought to be answered in the negative. Consent cannot extend to reselling outside of China for the reasons above under question (iii).

[57] For question (v) it ought to be answered in the negative. What technically amounts to parallel importation may not be authorised when it does not comply with the laws of the country where the goods were imported into. The following legislations were not complied with, in this case:

(i) Regulation 12(3) of the Customs Regulations 1977 (now embodied in reg. 23 of the Customs Regulation 2019) requires an importer to be able to produce on demand by the customs officer all documents in his possession relating to the origin and destination of his goods;

(ii) Section 30 of the Food Act 1983 provides that no manufacturer/distributor/dealer in food products shall sell food unless it gives a written warranty/statement that the food complies with the provision of the Act or any regulations made thereunder;

(iii) Section 29 of the Food Act 1983 prohibits the importation of any goods that do not comply with the requirements under the Act or any regulations thereunder. This includes specific requirements in relation to standards, packaging and labelling under the Food Regulation 1985; and

(iv) the food products exported out of China for resale overseas must be accompanied by a sanitary certificate issued by the Entry-Exit Inspection and Quarantine of the People's Republic of China in compliance with the exporting laws of China.

[58] In this case, even if the goods are genuine products, the defence of parallel importation cannot be relied upon in a trade mark infringement action where the importation of the goods do not comply with the laws on importation.

[59] For question (vi), it ought to be answered in the negative.

[60] In Malaysia, compliance with the Food Act 1983 and its subsidiary legislation *ie*, the Food Regulations 1985 is mandatory unless it relates to food meant to be exported. Therefore, the respondent cannot resell the infringing products in Malaysia as the same does not meet the requirements under Malaysian laws and Malaysian standards, thus, to resell the same would put the appellants' reputation and goodwill at stake. Question (vii) ought to be answered in the negative.

[61] Consent of the trade mark proprietor/owner cannot be used to circumvent compliance of any mandatory statutory requirement in the absence of any statutory provisions which allow this (see *Federal Hotel Sdn Bhd v. National Union Of Hotel, Bar & Restaurant Workers* [1983] 1 CLJ 67; [1983] CLJ (Rep) 150; [1983] 1 MLJ 175).

[62] Even if there was consent, the laws of Malaysia cannot be superseded as this would amount to importation and selling of illegal goods.

[63] Hence, the plaintiffs submitted that the High Court did not err and the Court of Appeal had erroneously interfered with the findings of the learned High Court Judge without any justification. The appeal should be allowed, the HC decision reinstated with costs here and below to the appellants.

Submissions By The Defendants

[64] Question (i) relates to goods/merchandise bearing the same trade mark were sold in the market. It is submitted that parallel importation relates to goods bearing the same trade mark and not where such goods were sold. The goods bought by the defendant in China and the goods sold by the defendant's retail shop in Malaysia bears the same trade mark owned by P1. There is no question of infringement of the trade mark, it is a question of P3 (who is the exclusive distributor), the registered user being infringed by P1 and P2. P3 cannot complain of any infringement or passing off when P3 knew that it was P1 authorising P2 to sell the trade marked goods to the defendant without regards to his exclusive rights of use of the trade mark in Malaysia.

[65] The learned trial judge had misdirected himself in law and in fact when he failed to take into consideration or otherwise give due appreciation to the pleaded facts and evidence that the infringing products bearing the "Eagle Coin" trade mark were sold to the defendant by "Eagle Coin" trade mark holder in China and in Malaysia, namely P1 through P2 who was assigned by P1 to use "Eagle Coin" trade mark to sell the infringing goods outside China, irrespective of whether the infringing products bearing the "Eagle Coin" trade mark was for sale in China or in Malaysia.

[66] On question (ii), the defendant took the position that the "parallel imported" goods/merchandise must bear the same trade mark and this is not in dispute.

[67] On question (iii), the quantity of the goods does not matter. The defence of parallel importation is invoked when goods purchased outside Malaysia are sold in Malaysia with the implied consent of the brand owner. In this case the defendant took the position that there was implied consent when P2 sent the goods to the defendant in Malaysia to be sold in the Malaysian market.

[68] On question (iv), it is submitted that it does not matter whether the goods/merchandise were meant for sale in China only, since parallel importation relates to the use of trade marks.

[69] On questions (v), (vi) and (vii) it is submitted that these were not issues before the Court of Appeal and these questions attempt to re-write the law on parallel importation.

[70] In summary, the defendant submitted that, in the Court of Appeal, the defendant was able to persuade the court that the element of consent could be clearly seen from the unchallenged contemporaneous documents adduced at trial, *ie*, P2's invoicing, packaging, labelling and sending of the goods to the defendant in Sabah, Malaysia between September 2016 to November 2016. Consent, express or implied is therefore proved.

[71] Since there are no grounds, it is inferred that the Court of Appeal agreed with the defendant and allowed its appeal on the basis that there was evidence of the presence of consent, an essential element for the defendant to mount the defence of parallel importation.

[72] The defendant submitted that the Court of Appeal exercised its appellate jurisdiction appropriately. The Court of Appeal was perfectly entitled to find that there were facts and evidence of consent, either express or implied. The Court of Appeal did not err when it decided on the question of law that sub-s. 40(1)(dd) of the TMA, which does not differentiate between goods bearing the same trade mark when the goods are manufactured for sale in one place and parallel imported for sale in another place as long as there was consent, express or implied, from the trade mark owners.

[73] The Court of Appeal rightly held that the High Court erroneously read into sub-s. 40(1)(dd) TMA the requirement of "restriction" and had wrongly distinguished the facts of this case from that of *Winthrop*. Since the Court of Appeal accepted the defendant's argument, the Court of Appeal must have rejected the plaintiffs' submissions and the plaintiffs would find it hard to adopt similar submissions here before this court. All authorities concerning infringement of trade marks are irrelevant here. Once the defence of parallel importation has been proven, all the authorities on passing off would also be irrelevant.

[74] Based on the aforesaid, the defendant summed up that the seven questions of the plaintiffs posed before this court are irrelevant to the actual issues decided by the Court of Appeal.

Our Findings

The Law On The Use Of A Registered Trade Mark

[75] Subsection 35(1) of the TMA 1976 provides that the registered proprietor of a trade mark has the exclusive right to use the trade mark, and also the right to prevent other persons (not being registered users) from using the trade mark or any mark similar to it.

[76] Section 38(1) of the TMA provides that:

> (1) A registered trade mark is infringed by a person who, not being the registered proprietor of the trade mark or registered user of the trade mark using by way of permitted use, uses a mark which is identical with it or so nearly resembling it as likely to deceive or cause confusion in the course of trade in relation to goods or services in respect of which the trade mark is registered in such a manner as to render the use of the mark likely to be taken either.

[77] Essentially, it means that no one else can use a mark which is identical with it or so nearly resembling it as is likely to deceive or cause confusion in the course of trade in relation to goods or services in respect of which the trade mark is registered.

[78] Subsection 48(5) of the TMA provides protection for registered user of the said trade mark, which reads:

> (5) Where a person has been registered as a registered user of a trade mark, the use of that trade mark by the registered user within the limits of his registration shall be deemed to be use by the registered proprietor of the trade mark to the same extent as the use of the trade mark by the registered user and shall be deemed not to be use by any other person.

Registered user therefore has the same rights to the trade mark within the limits of registration.

[79] In our case, it is undisputed that:

(i) P1 is the registered owner/proprietor of the "Eagle Coin" trade mark registered in China and Malaysia;

(ii) P2, which is the subsidiary of P1, was assigned to use the "Eagle Coin" trade mark and sell the products bearing the said trade mark outside China;

(iii) P3, a company based in Sabah, is the sole authorised distributor of food products bearing the "Eagle Coin" trade mark since March 2008; and

(iv) P3 is also the registered user of the said trade mark in Malaysia.

[80] In our view, it is clear that the defendant does not fall under any of the above categories.

The Law On "Parallel Import"

[81] The defence of the defendant is that there is no infringement of trade mark but it is a case of "Parallel Import" and that it has implied consent from the plaintiffs under sub-s. 40(1)(dd) of the TMA.

[82] In the *Malaysian Halsbury* Vol 22, 2007 Reissue (Intellectual Property) para. 520.600 "Parallel Import" is legally described as:

A ... strictly the importation and sale by others of goods originating from the owner of industrial rights in parallel with his own importation of such goods, whether carried out by himself or through authorised agents but is used more generally to describe the importation and sale by third [persons of goods obtained in another country which originate from an internationally known company or group.

B **[83]** In simple terms, parallel imports are goods that are imported into and sold in a particular country, territory or market without the express permission of the brand owners in that country. Parallel imports are not counterfeit products as they originated from the same brand owner or its group of companies. Parallel imports which are often referred to as "gray C products" are, more often than not, implicated in issues of international trade, and intellectual property. The High Court in *Tien Ying Hong Enterprise Sdn Bhd v. Beenion Sdn Bhd* [2011] 2 CLJ 469; [2010] 8 MLJ 550 held that parallel imports are goods which are lawfully manufactured overseas but imported and distributed in Malaysia by a person other than the registered D proprietor of the trade mark.

[84] In dealing with parallel imports, sub-s. 35(1) of the TMA plays a significant role. In the case of parallel importer, he may import and sell the products bearing the trade mark, although he is not the registered proprietor of the trade mark. Given the provision of sub-s. 35(1) of the TMA, can it E be said that there is an infringement of trade mark by the parallel importer?

[85] Although sub-s. 35(1) of the TMA confers on the registered proprietor, the exclusive right to the use of the trade mark in relation to the goods applied for, it is to be read subject to the provisions of the TMA. In this F respect, sub-s. 40(1) of the TMA is relevant where it provides for the defences to a claim of trade mark infringement, which reads:

40. Acts not constituting infringement

(1) Notwithstanding anything contained in this Act, **the following acts do not constitute an infringement of a trade mark:**

G (a) - (c) ...

(d) in relation to goods connected in the course of trade with the registered proprietor or a registered user of the trade mark if, as to those goods or a bulk of which they form part, the registered proprietor or the registered user in conforming to the permitted H use has applied the trade mark and has not subsequently removed or obliterated it;

(dd) the use by a person of a trade mark in relation to goods or services to which the registered proprietor or registered user has at any time **expressly or impliedly consented** to;

I (e) - (f) ... (emphasis added)

[86] Subsection 40(1)(dd) of the TMA was inserted *vide* Amendment Act A881 in 1994, *ie*, after the decision in *Winthrop* which allowed parallel importing even without express consent of the registered proprietor, save and except in situations where there are contractual restrictions.

[87] The defendant in our present appeal, relied on the defence under sub-s. 40(1)(dd) of the TMA. Sub-section 40(1)(dd) of the TMA provides that once the registered proprietor or registered user has expressly or impliedly consented to another, to use the trade mark in relation to certain goods, and the goods are then placed on the market, the registered proprietor cannot control further dealings with the goods.

[88] The defendant also placed heavy reliance on the *ratio* in *Winthrop* to support its defence of parallel import, where it was argued that its conduct and the mode of importing and distributing the goods as transacted by the defendant falls within the defence of "parallel imports" and that there was implied consent by P2. Therefore, it is crucial to understand the reasoning behind the decision of *Winthrop*. We need to assert at the outset, that *Winthrop* does not concern sub-s. 40(1)(dd) of the TMA but rather sub-s. 52(3)(a) of the Trade Marks Ordinance 1950, which is in *pari materia* to s. 4(3)(a)(i) of the English Trade Marks Act 1938. For clarity we reproduced the said s. 4(3)(a) of the UK Trade Marks Act 1938 which provides:

> ...
>
> The right to the use of a trade mark given by registration as aforesaid shall not be deemed to be infringed by the use of any such mark as aforesaid by any person:
>
> (a) in relation to goods connected in the course of trade with the proprietor of a registered user of the trade mark if, as to those goods or a bulk of which they form a part, the proprietor or the registered user had applied the trade mark and has not subsequently removed or obliterated it, or has at any time expressly or impliedly consented to the use of the trade mark.

[89] *Winthrop* involved the trade mark "Panadol" for which a well-known analgesic is sold. The owner of the trade mark:

(i) in the United States of America (USA) is Sterling Drug Inc.;

(ii) in the United Kingdom (UK), is Sterling Winthrop Group Ltd; and

(iii) in Malaysia is Winthrop Products Inc., a company incorporated under the laws of State of Delaware, USA. Winthrop Products Inc. has registered rights of the mark in the UK.

[90] The second plaintiff is registered in Malaysia as the sole registered user of the mark. All the aforesaid corporations are related companies. Lifting the corporate veil revealed that these corporations are all members

of a group of companies that function on a worldwide basis. The parent company is Sterling Drug Inc. of the USA. The worldwide activities of the group are carried out by sub-groups, each functioning in different geographical areas. The various corporations in the group, namely that of the Malaysian, British and the American companies referred to herein, can be traced to Sterling Drug Inc.

[91] It was in evidence that the first plaintiff, Winthrop Products Inc. and the British company Sterling Winthrop Group Ltd. are both wholly owned by Sterling Drug Inc. It is an undisputed fact that the second plaintiff, Sterling Drug (M) Sdn. Bhd.'s ownership can be traced back to Sterling Drug Inc.

[92] The analgesic blue pack Panadol had been imported into Malaysia by the second defendant, Maltown Ltd and was being sold in Malaysia through the first defendant, Sun Ocean (M) Sdn Bhd.

[93] The first and the second plaintiffs took an action against the defendants for trade mark infringement. Both the plaintiffs were owned by the parent company, Sterling Drug Inc. The evidence disclosed during trial was that the defendants had obtained the goods directly from Sterling Winthrop Group Ltd (another UK subsidiary of the ultimate holding company, Sterling Drug Inc) and occasionally from a British wholesaler, Chemisave to which Sterling Winthrop Group Ltd supplies to.

[94] The plaintiffs' complaint against the defendants was that the second defendant's importation and sale into Malaysia of the blue pack Panadol which they obtained from the British domestic market through the first defendant, infringes the first plaintiff's proprietorship and the second plaintiff's user rights in the Panadol trade mark. It was also contended that the defendants, by putting the blue pack Panadol into the Malaysian market had practiced deception on the Malaysian public that amounts to passing off the blue pack Panadol as being that of the plaintiffs.

[95] VC George J (as he then was) held, *inter alia*, that where a parent company (or a group of companies) chooses to manufacture and sell through a subsidiary or related companies in different parts of the world products which bear the same trade mark, the registered owner in Malaysia could not object to the importation and distribution of such imported goods in Malaysia. His Lordship held that the "registered owner and registered user in Malaysia can be said to have impliedly consented to the said acts, so that the holder of the goods acquires the absolute ownership of the goods including the right to sell the goods in any part of the world in the same condition in which they were disposed of."

[96] In contrast, the case of *Tien Ying Hong* held that parallel importation of goods without the consent of the registered proprietor amounted to trade mark infringement. The plaintiff in *Tien Ying Hong* is the registered

proprietor of the trade mark of "SEIZAIKEN" under the TMA, who is in the business of distributing and selling batteries for watches and clocks as well as watches and clock parts.

[97] The defendant imported its batteries marked with "SEIZAIKEN" from Star (Far East) Ltd, a company based in Hong Kong, which obtained the batteries from Seiko Instrument Inc. in Japan, which is the lawful manufacturer and owner.

[98] The plaintiff instituted an action against the defendant which had been importing and selling watch batteries in Malaysia under the name of "SEIZAIKEN". The defendant relied on sub-s. 40(1)(d) of the TMA to assert that parallel imports are not prohibited under the TMA. Reference was also made to *Winthrop*.

[99] The facts show that the plaintiff had never appointed the defendant to be a distributor of the plaintiff's batteries bearing the trade mark "SEIZAIKEN". Seiko Instrument Inc, the owner of the trade mark SEIZAIKEN in Japan, however, has no economic or legal relationship with the plaintiff. The defendant denied infringement and argued that as the batteries it imported and sold in Malaysia were manufactured by Seiko Instrument Inc, the lawful owner of the SEIZAIKEN mark in Japan, the goods were genuine and not imitation nor were they pirated products and the mode of importing and distributing the SEIZAIKEN batteries as transacted by the defendant falls into the legal description of "parallel import". As the purchaser from the lawful manufacturer of the SEIZAIKEN batteries in Japan, the defendant was legally entitled to parallel import them into Malaysia, and therefore its act should not result in infringement of the plaintiff's trade mark. It was held that the plaintiff was unrelated to Star (Far East) Ltd and to Seiko Instruments Inc. of Japan, and the *ratio* of *Winthrop* did not apply to the facts of *Tien Ying Hong*.

[100] In *Winthrop*, the plaintiff and the defendant were subsidiaries of the same corporate group and, as such, although there was no express consent, the plaintiff was deemed to have impliedly consented to the importation of the products in question. In *Tien Ying Hong*, the plaintiff has no connection or association with Seiko Instrument Inc. or even the supplier from Hong Kong.

[101] It was held in *Winthrop* that there was nothing to stop the plaintiffs from exporting their products out of UK, or any traders for that matter, once the products were put on sale other than any contracting restrictions that there may be imposed, though on the facts, there were none. The court went on to hold that where a member of an international group applied a trade mark to goods, a purchaser of the trade marked goods was entitled to presume that he would not be sued by any other member of the group simply of the basis of the place of manufacture of the product. By putting the product into the market in the UK elsewhere by related companies, the plaintiffs had

impliedly consented so that the holder of the goods acquires absolute ownership of the goods including the right to sell the goods in any part of the world in the same condition in which they were dispose of.

[102] A significant factor present in *Winthrop* is that there was no restriction in the agreement entered between the plaintiff and the manufacturer limiting the sale of Panadol to domestic use in UK only. The court decided that the exhaustion defence applied when the goods parallelly imported by an independent third party were manufactured and put on the market in a foreign country by an associated or related company of the plaintiff trade mark owner, even if the importation of the goods were carried out without the consent of the registered trade mark owner. It was in that context that the consent was held to be implied.

[103] The court in *Tien Ying Hong* had distinguished the facts with *Winthrop*. In *Tien Ying Hong*, there is no nexus between Seiko Instrument Inc. or, even the supplier from Hong Kong. The court in *Tien Ying Hong*, emphasised the significance of s. 35 of the TMA which confers on the registered proprietor of "SEIZAIKEN" trade mark, the sole and exclusive right to sell and distribute the goods bearing that trade mark in Malaysia and pursuant to s. 38 of the same, no one else had the right to import, sell or advertise for sale such batteries in Malaysia without the prior permission of the plaintiff. It was held that parallel imports are permitted only if the registered proprietor of the trade mark consented to the importation, distribution and sale in Malaysia. Neither can the consent be implied as the Japanese manufacturer and supplier of the imported batteries were not related or associated with the plaintiff company. It was held that the issue of implied consent to use the trade mark does not arise.

[104] However, it is interesting to note that, the defendant in *Tien Ying Hong* relied on sub-s. 40(1)(d) in its defence, not sub-s. 40(1)(dd) of the TMA. *Tien Ying Hong* was decided in 2010, after the amendment to sub-s. 40(1) was made in 1994 when sub-s. 40(1)(dd) was inserted.

[105] Subsection 40(1)(d) is premised on a situation when "the registered proprietor or the registered user in confirming to the permitted use has applied the trade mark" to the goods which were the subject matter of the litigation. In *Tien Ying Hong*, there was never any allegation that the goods were manufactured, and the SEIZAKEN trade mark applied by the plaintiff or the registered proprietor. It was Seiko Instrument Inc., the owner of SEIZAIKEN trade mark in Japan, who applied the trade mark in question. It appears that sub-s. 40(1)(d) as relied upon by the defendant in *Tien Ying Hong*, has no relevance. The defendant therein could have mounted its defence based on sub-s. 40(1)(dd) as the defendant's stand then was where "the registered proprietor or registered user has at any time expressly or impliedly consented" to the use of the mark by a third party, even though they had not applied the trade mark themselves. Such defence would be

applicable if the defendant could prove that the plaintiff and Seiko Instrument Inc., the entity which applied the mark, had economic or legal relationship for the court to infer some kind of consent to the use of the trade mark. However, as the facts showed, Seiko Inc., the entity which applied the mark, had no economic or legal relationship with the plaintiff, hence, there cannot be any implied consent to the use of the mark coming from the plaintiff, if *Winthrop* is to be relied upon. Therefore, even if the defence of exhaustion under sub-s. 40(1)(dd) TMA was invoked, it would also failed premised on the facts of the case.

[106] VC George J in *Winthrop* relied on *Revlon* which dealt with the ambit of s. 4(3)(a) of the UK Trade Marks Act 1938 (which is in *pari materia* to sub-s. 52(3)(a) of the Trade Ordinance 1950 and substantially similar to our present sub-s. 40(1)(d) and (dd) of the TMA).

[107] *Revlon* is the leading case regarding the principle that if the mark has been applied overseas by a company which is part of the same corporate group as the local trade mark owner, then it is no infringement of the local trade mark for a third party to import goods bearing the mark. Here, Revlon Inc. was the parent company of the Revlon Group of international companies which manufactured and marketed cosmetics and toiletries in the United States. Revlon Suisse SA (a subsidiary of the parent company) was the registered proprietor of the United Kingdom trade mark in question. There was a subsidiary incorporated in Venezuela which manufactured the goods for the British market. Another subsidiary, incorporated in New York marketed the goods in the United Kingdom. Both the subsidiaries enjoyed registered user agreements in respect of the trade mark. The parallel importer had sourced cheap stocks from a line marketed which has been discontinued by Revlon Inc. in the United States. Revlon Group alleged that the parallel importer had infringed their registered trade mark. It was argued by the Revlon Group that it was entitled to control the use of its trade mark in the United Kingdom, meaning that it was entitled to make a profit from selling the goods in the United States without any restriction as to their export but they are entitled to obtain an injunction against the innocent third party which had purchased them so as to export them into the United Kingdom. There was nothing to indicate on the packaging of Revlon Flex products that the defendants had obtained from the US that the products were not to be exported out of US or that otherwise there were restrictions imposed in respect of the sale of these products.

[108] The Court of Appeal was unanimous in finding that the Revlon products was able to be imported to the United Kingdom market without infringing s. 4(1) because of the provisions of s. 4(3)(a) of the Trade Marks Act 1938 (UK).

[109] Buckley LJ held that it could not be said that the registered proprietor had applied the trade mark to the goods, because the actions of the principal (Revlon Inc.) could not be said to be those of the registered proprietor of the

trade mark, its subsidiary (Revlon Suisse SA). He therefore, held that the first portion of the paragraph in s. 4(3)(a) which reads "... the proprietor ... had applied the trade mark and has not subsequently removed or obliterated it ..." is not applicable. However, he was satisfied that the subsidiary must be taken to have consented to the principal's use of the trade mark because of the nexus between them and that the second portion of s. 4(3)(a) which reads "... has at any time expressly or impliedly consented to the use of the trade mark." Bridge LJ concurred with Buckley LJ.

[110] Templeman LJ, however regarded the registered proprietor of the trade mark (Revlon Suisse SA) as having applied the mark to the goods within the meaning of s. 4(3)(a) simply because of its relationship with its parent. This proposition appears to have disregarded the distinct legal entity between the principal and its subsidiaries and a willingness to lift the multi-national corporate veil. He regarded the Revlon Group of companies as one collective corporate entity regardless of technical legal distinction between them.

[111] The apparent result of the *Revlon* is that the courts would not permit the use of UK registered trade mark to prevent the importation of goods bearing a particular trade mark where these goods were originally marketed by a branch or subsidiary of which the UK registered proprietor or registered user was part of. This was not achieved by finding the use of the imported goods as being used by the proprietor or registered user, but rather, finding the use as having been connected to, by the registered proprietor.

[112] It therefore, follows that, in the absence of consent by the proprietor or registered user and the trade mark had been applied by an independent licensee, a parallel importer could be restrained. The important factor in *Revlon* regarding consent was the lack of any express agreement prohibiting the export of their product. Although it may be difficult to see how the overseas manufacture by the parent company could be treated as manufacture by a local subsidiary, as the latter enjoy a separate legal entity under the principle of corporate law, one should approach it from the implied consent line of reasoning rather than the power of corporate control of parent over subsidiary.

[113] Still on the issue of consent, *Revlon* was distinguished by *Colgate-Palmolive*, where the plaintiff therein is the US parent of an international group of companies which manufactured "Colgate" toothpaste. Colgate US was the registered proprietor of the trade mark and Colgate UK was the registered user. Under licence agreement with Colgate US, a Brazilian subsidiary, Limitada was permitted to use the trade mark in Brazil. This agreement allowed Limitada to export to specified countries in South America and Africa. The defendants procured supplies of the Brazilian toothpaste for importation and sale in the English market, by representing that the goods were intended for export to one of the approved countries, namely Nigeria.

[114] The Court of Appeal held in favour of the plaintiff, finding on the facts that there had never been an application of the relevant UK trade mark to the Brazilian goods since the Colgate mark applied to the goods in Brazil was neither used nor contemplated to be used in the UK. The only application made was that of the Brazilian trade mark, even though this was the same as the UK. Lloyd LJ stated, "the present reality is that each country grants trade mark protection within its own territorial limit." This decision lends support to the decision by Azahar Mohamed J (as he then was) in *Tien Ying Hong* when His Lordship stated that on principle and on authority that our trade mark law is territorial in nature.

[115] With that established legal position of the law on the issues that would be relevant in the determination of the present appeal, at the forefront of our minds, we now proceed to answer the questions posed by the plaintiffs.

Question (i):

Will A Brand Proprietor/Owner's Trade Mark Rights Be Exhausted Worldwide Even Though The Goods/Merchandise In Relation To Which The Trade mark Is Used Have Been Put On Market By The Brand Proprietor/Owner To Be Sold In A Specific Country/Region/Geographical Area Only For Eg, When It Is Clearly Stated The Goods/Merchandise Are "To Be Sold In China Only"?

[116] Question (i) posed by the plaintiffs focus on the extent in which a trade mark owner should be allowed to maintain control over its trade mark by using its exclusive trade mark rights in Malaysia to restrict the importation of goods into Malaysia after the goods have been restricted in its sale somewhere else in a specific country or region. In this case, the sale of the goods in question was restricted only to China. Hence, the issue in question (i) is: would the proprietor's rights be exhausted worldwide even if the sale is restricted only to a specific territory.

[117] The defendant interpreted sub-s. 40(1)(d) to mean that since P2 is the registered proprietor of the trade mark and P3 as registered user had placed the trade mark on the goods which are marketed from China throughout the world for sale, P2 and P3 shall immediately cease to have rights to control subsequent dealings with goods bearing the "Eagle Coin" trade mark. The defendant took the interpretation of sub-s. 40(1)(d) of the TMA to mean that the registered proprietor's rights in the goods are exhausted once the goods are sold by him or his authorised distributor with his consent anywhere in the world, as in this case. Much reliance was placed by the defendant on *Winthrop* which made reference to *Revlon* which highlighted on parallel importation and held that when a member of an international group applied a trade mark to goods, a purchaser of the goods was entitled to assume that he would not be sued by any other member of the group simply on the basis of the place of manufacture of the products and therefore, since both the plaintiff and the defendant were authorised dealer appointed by the registered proprietor, the plaintiff in the two cases shall have no right to sue the others.

[118] The principle in both cases of *Winthrop* and *Tien Ying Hong* is that, if the mark has been applied overseas by a company which is part of the same corporate group as the local trade mark owner, it is not infringement of the local trade mark for a third party to import goods bearing the mark. Both the plaintiffs in *Winthrop* were regarded to have impliedly consented to the use of the trade mark by the manufacturers of the blue pack Panadol in the UK. The defendants acquired the absolute ownership of the goods including the right to sell the goods in any part of the world in the same condition in which they were disposed of. The court also found that there was no territorial restriction on the exportation of the product and neither was there evidence of any conditional sale of the product.

[119] *Winthrop* is the first case in Malaysia that dealt expressly with parallel importation of trade mark goods under the Trade Mark Ordinance 1950 which was later repealed and replaced by the TMA.

[120] Subsequently, *Tien Ying Hong* dealt with the application of the trade mark exhaustion defence, which involved the application of sub-s. 35(1) and s. 38 relation to parallel imported goods. The court held that in the context of the case, "parallel import of the batteries bearing "SEIZAIKEN" trade mark are permitted under the TMA, if and only if the plaintiff must be taken to have consented to their importation, distribution and sale in Malaysia" (para. 19 of *Tien Ying Hong*).

[121] In *Tien Ying Hong*, the goods imported and sold in Malaysia were not goods manufactured by the plaintiff or its related companies overseas, but by a third party that was not connected to the plaintiff, yet owned the trade mark rights in the foreign company. The issue was whether in such situation could the goods manufactured by a foreign trade mark owner be legitimately imported and distributed in Malaysia without infringing the Malaysian registered trade mark owner's rights? In other words, whether the exhaustion defence apply to a parallel importation of this nature? The court ruled that importation and sale of such goods would infringe the Malaysian registered trade mark owner's rights. The learned judge in *Tien Ying Hong* held that it made no difference whether the batteries were imported, distributed and sold domestically by the defendant were genuine products by Seiko Instruments Inc Japan, Seiko Instrument Inc. itself did not have the right to sell batteries under the trade mark SEIZAIKEN in Malaysia because the plaintiff is the registered owner of the trade mark SEIZAIKEN. Only the plaintiff has the right to import, distribute and sell in Malaysia batteries bearing the trade mark SEIZAIKEN. His Lordship held that no one has the right to import or sell the batteries bearing the trade mark SEIZAIKEN without the consent of the plaintiff.

[122] From the analysis of the facts in *Winthrop*, the reliance by the defendant on *Winthrop* which referred to the case of *Revlon* and the reliance on *Tien Ying Hong* is misconceived, as the facts between *Winthrop* and our present appeal are poles apart.

[123] In *Winthrop* referred to by the defendant, it was between two appointed distributors (plaintiff and defendant) of the registered owners of the trade mark from different countries who imported their goods to other country. There the registered proprietor of the trade mark was not involved in the suits. It is a situation where the plaintiff (company A) and defendant (company B) were both appointed distributors and manufacturers of products belonging to the registered proprietor. Instead of selling company's A products in country A, the defendant (company B) was selling the products manufactured by company B in the geographical area belonging to company A. The issue that was raised by the parties in those cases was between the plaintiff (company A) and the defendant (company B). In situation like this, the registered proprietor should not have the right to step in because authorisation and consent has been given to both the plaintiff (company A) and the defendant (company B) in selling and manufacturing the products bearing the same trade mark belonging to the registered proprietor. This is a situation where the rights and consent has been given to both the plaintiff (company A) and the defendant (company B) by the registered proprietor.

[124] In *Revlon*, the Revlon group of companies was one collective corporate entity, regardless of the technical distinctions. Although the parent company, Revlon Inc. did own the Revlon Flex marks in the UK, they were held by Revlon Suisse (the proprietor of the UK marks) for the benefit of Revlon Inc. Templeman LJ opined that in a group such as Revlon, the legal ownership of trade marks were mere instruments. In fact, Revlon Inc. orchestrated the business of the group through subsidiaries for the benefit of itself. He further held that Revlon Suisse was a subsidiary which could not object to the parent company, Revlon Inc., putting the trade mark and disposing the goods in the US or anywhere in the world. Thus, Revlon Suisse was taken as having impliedly consented to the use of the trade mark in connection with the goods which emanated from the parent company, and which had found their way into the ownership of the defendants.

[125] However, that is not the situation in our present case. P2 in our case is not the registered proprietor of products bearing the "Eagle Coin" trade mark. P2 was assigned to use the "Eagle Coin" trade mark and sell the products bearing the said trade mark outside China. The defendant is not the authorised distributor of the products bearing "Eagle Coin" trade mark. This fact is admitted by the defendant. Through the testimonies of P1, P2 and P3, there was no authority, consent (express or implied) given by the registered proprietor/owner (P1) of the "Eagle Coin" trade mark or the authorised distributor (P3) in Malaysia, to the defendant, to sell the products bearing the same trade mark.

[126] Further distinction in the facts in *Winthrop* is that the goods were the same for both domestic and export market. There was no issue of passing off or misrepresentation. There was no territorial restriction on the goods in the agreement between the manufacturer and the registered owner/user of the trade mark in Malaysia or on the packaging, that the registered owner/user

had no right to restrict the defendants from selling the goods imported from the British domestic market in Malaysia. There is also no agreement for the goods to be sold outside China so there cannot be implied consent for this to be done. As imprinted on the packaging of the goods which were purchased by the defendant from retail outlet of P2 in China, there is restriction that the goods are meant for the China market only.

[127] Another distinguishing factor in *Winthrop* is that there was knowledge on the part of the plaintiffs that the defendant is an existing customer of theirs and that the plaintiffs also knew that the defendant was an exporter of the goods, so the court could infer there was implied consent to reselling, whereas in our case, the defendant was neither an existing customer of the P2 nor a known exporter/distributor of "Eagle Coin" products for consent to be implied or deemed.

[128] In *Winthrop* and *Revlon*, the registered proprietor of the trade mark in question were never involved in the suit. Unlike our present case, P1 and P2 are parties to the suit and it was in evidence that there was never any consent nor authorisation given to the defendant to purchase the goods from China and export it to Kota Kinabalu, Malaysia to be resold to the public.

[129] The aforesaid principles are similar to the position adopted by the European Court of Justice (ECJ) in dealing with exhaustion of rights within the member states. Cases from the ECJ show that trade mark rights cannot be exhausted worldwide and would only be exhausted nationally if the imported goods were also placed on the national market by the registered proprietor/owner of, with their consent.

[130] Further, implied consent can only be inferred when the facts and the circumstances unequivocally show that the proprietor has renounced his right to oppose placing of the goods on the market to the jurisdiction the goods were imported to (see *Zino Davidoff SA*).

[131] With regard to consent, it is clear from the decision in the case of *Colgate-Palmolive Ltd & Anor v. Markwell Finance Ltd & Anor* [1989] RPC 49, that firstly, the consent must be by the registered proprietor or user. Secondly, it must be shown that the consent relates to the use of the marks whose rights were secured by registration. In the *Colgate-Palmolive* case, the court held there was no implied nor express consent and there were attempts to prevent the import of the Brazilian goods to the UK, as there was significant difference in the formulation of the goods. The facts disclosed that the goods produced in Brazil were of lower quality compared to the goods made in the UK, which would create a misrepresentation to consumers as to the quality of the goods. The Brazilian licensee was strictly limited to the use of the trade mark in Brazil and a few other territories which did not include the United Kingdom. Given the qualitative differences in the products, one can understand the commercial reasons for wanting to keep the markets separate.

[132] In the grounds of appeal filed by the defendant at the Court of Appeal, the defendant stated that when the defendant, through their agent went to the retail store in China to purchase the infringing products, there is implied consent given by P2 through the retail stores that they can resell the infringed products purchased in Malaysia; and that with the existence of the implied consent given by P2, it falls under the meaning and understanding of the law on parallel importation as stated in the case of *Winthrop*. The defendant contended that this can be seen in P2's invoicing, packaging, labelling and sending the goods to the defendant in Sabah between September 2016 to November 2016 after the defendant or DW1 had purchased the goods from P2 in China on 28 August 2016.

[133] However, the learned High Court Judge had evaluated this aspect of the evidence which suggests otherwise. It was the findings of the learned High Court Judge that there is no evidence that P2 had shipped the canned fried dace purchased by the defendant at its outlet in China in Malaysia. The learned High Court Judge found on the evidence that 720 cans of the products were shipped by Guangzhou Hefu International/Hefu International Logistic Company Limited, which is the transporter of the defendant. It was also the findings of His Lordship that the defendant had admitted selling a product with a trade mark of which, it is neither the registered owner nor the registered user. The retail store in China sold the infringing goods to the agent of the defendant, a Chinese citizen. Although the infringing goods were bought in bulk, that cannot be inferred that the plaintiffs knew that the infringing goods were purchased for purposes of reselling, marketing and distributing in Malaysia. The infringing goods were arranged for transportation and shipment to Malaysia by the defendant through its agents in China, not through the plaintiffs or the plaintiffs' agents. The transporter and the forwarding company that were responsible for the shipment of the goods to Malaysia have nothing to do with P1 nor P2. The representative of the defendant, DW1 had gone to the retail outlet of P2 in China to purchase the goods, could read Mandarin and it was the finding of the learned High Court Judge that DW1 would have known that the labelling on the products indicated that the goods were not meant to be sold outside the China market. We have no reason to disturb such findings by the learned High Court Judge.

[134] These findings of facts by the learned High Court Judge were never impugned nor assailed by the Court of Appeal. Due to the unavailability of the grounds of judgment by the Court of Appeal, this court is in no position to hazard a guess as to the reasons why the court of reversed the decision of the learned High Court Judge. It was never explained in what way the learned High Court Judge was plainly wrong in making such findings of facts on the evidence which were before him, which to our mind, have no reason to interfere.

[135] As P3 is the registered user under sub-s. 48(5) of the TMA, it is entitled to use the registered trade mark within any prescribed limits of his registration. Thus, P3 enjoyed the protection afforded by sub-s. 35(1) of the

same. There was no permission obtained by the defendant from P3 for marketing and distributing the products in Malaysia. The learned High Court Judge found that on the packaging of the infringing goods distributed by P3, is printed that P3 is the sole authorised distributor of the product of P1. It was in evidence that the defendant had previously ordered canned fried dace with the "Eagle Coin" trade mark from P3 for sale in its supermarket but ceased doing so because of the high price. Hence, there was knowledge on the part of the defendant that P3 is the sole authorised distributor of the product of the "Eagle Coin" mark.

[136] There was no consent, be it express nor implied, by the plaintiffs, to the resale of the products in Malaysia. There is no affiliation between the plaintiffs and the defendant to warrant any implied consent, rather it invites confusion and deception amongst consumers due to the unauthorised sale of the products. Therefore, there is no exhaustion of their trade mark rights, be it nationally nor internationally.

[137] Hence, the learned High Court Judge did not err when His Lordship held that the defence of parallel importation fails and that the trade mark rights of the plaintiffs had been infringed when it imported the products that carry the trade mark "Eagle Coin" which was restricted for sale in China only. These products though not counterfeit but products of the plaintiffs brought into Malaysia through unauthorised parallel importation.

[138] We therefore answer question (i) in the negative.

Question (ii)

Whether The Sale Of Parallel Imports In Malaysia Can Be Prohibited If The Goods/Merchandise Purchased And Intended To Be Re-sold Are Materially Different From The Goods/Merchandise That The Trade Mark Proprietor/Owner Has Authorised To Be Put On Market In Malaysia?

[139] Admittedly, there are occasions/situations where a company chose to produce different goods for different markets under the same trade mark, due to different requirements in terms of cultural, standards and availability of resources relevant in different regions/country. Such situation is well illustrated by the *Colgate Palmolive* case and *In Re PT Garudafood Putra Putri Jaya TBK* [2019] 6 CLJ 217; [2019] 11 MLJ 396, where "the applicants' products meant for export and sale in the Malaysian market which used and incorporated the "Gery" mark are different from the applicants' products that also used and incorporated the "Gery" mark meant for the Indonesian market".

[140] The International Trade Mark Association recommends some jurisdictions adopt a material differences standard to exclude parallel imports that are materially different from those products authorised for sale by the trade mark proprietor/owner in the domestic market. This is the approach that appears to have been adopted by the High Court in *In Re PT Garudafood Putra Putri Jaya TBK.*

[141] In the *Colgate Palmolive* case above, the court held that the 'goodwill' of Colgate had been damaged by the importation of inferior Colgate products into the US. In the US which applies the "first-sale doctrine" (where the trade mark owner cannot prevent the subsequent resale of its goods by others), the sale and distribution of parallel imports that are materially different from the goods authorised for sale within the US, would cause confusion and would constitute trade mark infringement. Case laws from the US demonstrate that the fact that both goods come from the same manufacturer is irrelevant as the probability of confusion exists. The cases from US are instructive, in that even a single material difference creates a presumption that the gray goods have a potential to mislead or confuse consumers about the nature or quality of the product.

[142] We are persuaded by the submission by the plaintiff that Malaysia should adopt an approach like the US that the sale and distribution of parallel imports that are "materially different" from goods authorised for sale within the country constitutes trade mark infringement. This proposition is illustrated by the following cases from the US:

(i) In *Societe Des Proouits Nestle v. Casa Helvetia*, 982 F.2d 633 (1st Cir, 1992) where the Federal Court of Appeals adopted the protective approach on registered proprietors of the trade mark against the importation of the gray goods, and went on to hold that even a single material difference creates a presumption that the gray goods have a potential to mislead or confuse consumers about the nature or quality of the product;

(ii) In *Lever Brothers Co v. United States of America*, 981 F.2d 1330 (D.C. Cir. 1993) where the US Court of Appeals for the District of Columbia prohibited the importation of physically different foreign goods bearing a trade mark which was identical to a valid US trade mark, regardless of the trade mark's genuine character abroad or affiliation between the producing firms. Such affiliation between the producers in no way reduces the probability of substantial consumer confusion and deception in the US about the nature and origin of the goods; and

(iii) In the *Colgate-Palmolive*'s case, the court held that the sale and distribution of parallel imports that are materially different from the goods authorised for sale within the US, would cause confusion and would constitute trade mark infringement. It went on to hold that the 'goodwill' of "Colgate" had been damaged by the importation of inferior "Colgate" products.

[143] We agree with the submission by the plaintiffs that the aforesaid approach should be adopted in cases of parallel imports that are materially different from goods authorised for sale in Malaysia. The fact that the goods originate from the same manufacturer is irrelevant as the probability of confusion exists.

[144] In our present appeal, apart from the expressed territorial restriction of sale on the packaging, the products offered for sale by the defendant are materially different in terms of contents, quality and packaging.

[145] The infringing products purchased by the defendant from the retail outlet of P2 in China do not comply with the labelling requirements under the Food Regulations 1985 and halal requirement unlike the products authorised to be sold in the Malaysian market which also provides for the Muslim market. The facts show the ratio of fish content in the infringing products bearing the "Eagle Coin" trade mark which were restricted for sale in China are different from the goods bearing the "Eagle Coin" trade mark sold in Malaysia.

[146] Given the aforesaid, the sale and distribution of parallel imports of the infringing products, which are materially different from the goods authorised for sale within Malaysia, would create confusion amongst the consumers and would constitute trade mark infringement. Therefore, the sale of parallel imports in Malaysia can be prohibited if the goods intended to be resold are materially different from the goods that the trade mark owner has authorised to be put in market in Malaysia.

[147] Therefore, for question (ii) we answer it in the affirmative.

Question (iii)

Can The Quantity Of Goods/Merchandise Purchased Be Used To Determine If There's Implied Consent Given By The Manufacturer/Brand Proprietor/Owner To Sell The Goods/Merchandise Purchased Outside Malaysia To Be Resold In Malaysia?

[148] Bulk purchase of the goods cannot be taken as implied consent by the manufacturer/brand proprietor/owner to sell the goods/merchandise purchased outside Malaysia to be resold in Malaysia. We agree with the submission by the plaintiffs that consent does not just extend to the act of reselling but where the products can be resold.

[149] There is also the "territorial restriction" on the packaging of the goods which were purchased by the defendant from China. Hence, we do not see on what basis can bulk purchase by the defendant outside Malaysia, be used to infer consent that the goods are to be sold in Malaysia.

[150] Due to the clear objection by virtue of the territorial restriction on the packaging, it would be absurd to rely on the sheer quantity of the purchase to imply consent to importing the goods into Malaysia for reselling. For consent to be implied, it must be shown that there was an unequivocal renunciation of rights by the manufacturer/brand proprietor/trade mark owner.

[151] Therefore, our answer to question (iii) is in the negative.

Question (iv)

In The Event The Answer To Question (iii) Above Is "Yes", Then Can The Consent Be Valid If The Goods/Merchandise Purchased Were Put In Market By The Manufacturer/Trade Mark Proprietor/Owner To Be Sold Only In That Specific Country From Which The Goods/Merchandise Were Purchased From?

[152] The facts show that the goods purchased by the defendant is only restricted to be sold in China only. There is no consent for the infringing goods to be sold outside China.

[153] As we have answered question (iii) in the negative, and the question posed is no longer relevant as it does not reflect the facts of the case, we decline to answer question (iv). This question presupposes that consent is valid when the facts does not show consent was ever given by the registered owner or registered user of the trade mark for the goods to be sold outside the restricted area.

[154] We, therefore, decline to answer question (iv).

Question (v)

Whether Goods/Merchandise When Purchased But Not Imported And/Or Does Not Comply With Laws Concerning Importation Amount To Parallel Importation?

Question (vi)

Whether The Law In Malaysia Allows For Food Products To Be Sold Even Though It Is Not Packaged According To The Food Regulations Act 1985 And/Or Food Act 1983?

Question (vii)

Whether The Implied Consent And/Or Express Consent Given By The Trade Mark Proprietor/Owner Supersede The Laws Of Malaysia?

[155] We take questions (v), (vi) and (vii) together, as the issues raised in the three questions were never raised before the High Court Judge.

[156] On the legal requirement that food products for export must be accompanied with a sanitary certificate issued by the relevant governmental authority, mentioned by the learned High Court Judge in his judgment, that was in relation to the factor which His Lordship considered to be negating the element of consent on the part of the plaintiffs. Nothing was addressed by the learned High Court Judge on the requirements of the compliance of the laws on foodstuff in relation to parallel imports. Hence, we decline to answer questions (v), (vi) and (vii).

A

Conclusion

[157] In summary, our answers to the questions posed are:

Question (i) – negative.

Question (ii) – affirmative.

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Question (iii) – negative.

Question (iv) – decline to answer.

Question (v) – decline to answer.

C Question (vi) – decline to answer.

Question (vii) – decline to answer.

[158] For the foregoing reasons, we find the Court of Appeal erred in reversing the decision of the High Court. The learned High Court Judge was right in allowing the claim by the plaintiff, namely that:

D

(i) The defence of parallel importation fails;

(ii) The trade mark rights of the plaintiff had been infringed by the defendant; and

E (iii) The defendant has misled the public into thinking that the fried dace with the "Eagle Coin" trade mark was the same product marketed by P3. In the premises, the reputation of P3 would be damaged if Malaysian customers confused the source of the defendant's product because of the common identical trade mark. Hence, the plaintiff succeeded in establishing their claim under the tort of passing off.

F

[159] We, therefore, allow the appeal by the plaintiffs and affirm the decision of the High Court with costs of RM100,000 here and below to be paid by the defendant to the plaintiffs subject to payment of allocator fee. The decision of the Court of Appeal is set aside as we cannot see any reason to

G disturb the decision of the learned High Court Judge.

H

I